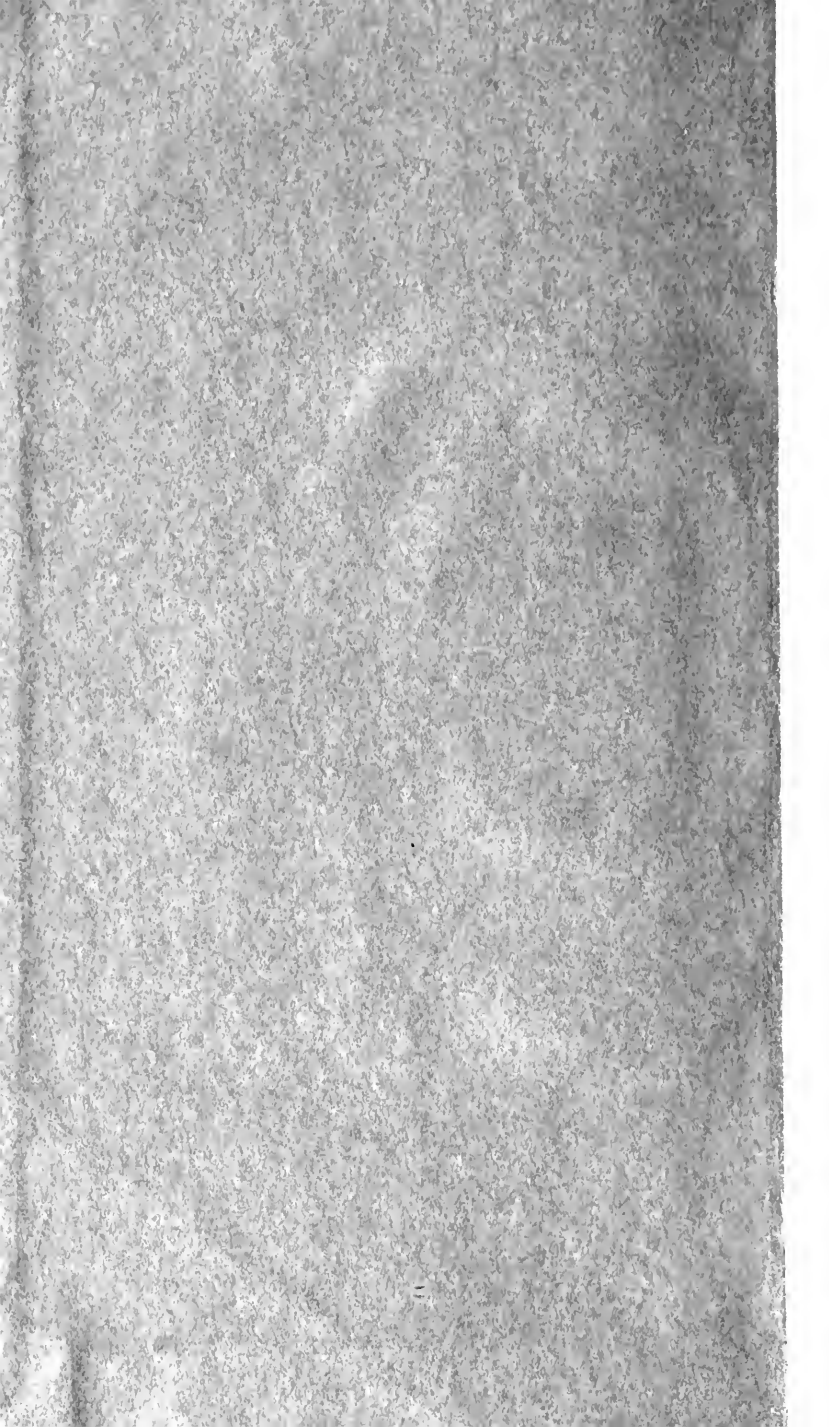




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A

LETTER

TO

MR. COBBETT,

IN REFUTATION OF HIS PROMULGATED OPINIONS, RESPECTING
THE CONSEQUENCE OF A CONTRACTION OF THE CURRENCY.

BY

CAPTAIN FORMAN, R. N.

Price One Shilling.

LONDON;
LONGMAN, REES, ORME, BROWN, AND GREEN;
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SHEPTON-MALLET.

MDCCCXXX.

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A LETTER,

&c.



“A large influx of gold distributed among the people, *in the way of trade*, would certainly lower the price of gold; and so far, as far as a gold coinage was concerned, would raise the price of all other commodities; but a mere increase of the circulating medium, whether in bank-paper, or in gold coinage struck at the mint, to ever so great an amount, could not increase *the means of the community* to purchase goods in the market; because the total amount of the property, whether in goods or cash, of the *whole* community would be precisely the same as it was before; and consequently neither the money, nor the barter price of goods could be affected by it.”

The present Commercial Distress traced up to its True Cause, Page 8.

II. “Now, in order to prove still more clearly that a contracted currency (though it may possibly be attended with considerable inconvenience) cannot *materially* alter the value of property, let us suppose, for the sake of argument, that there was no currency whatever, and that even promissory notes and bills of exchange were prohibited by act of parliament. In this case, I ask, would not the *barter* price of all goods, *including gold and silver*, be precisely the same as it is at present? and would not a flock of sheep, or a drove of oxen, purchase the same weight of gold and silver?”

“Thirty years ago when I was in the West Indies, there was no *standard* currency in several of the Islands, but pieces of gold were *weighed*, at their market price, in barter for other goods. The inconvenience of this was hardly felt, and no one complained of it as an evil; and if, in this extreme case, the same plan were to be adopted, the only inconvenience attending it would be the fluctuations in the value of gold bullion, which, instead of amounting to 75 or 50 per cent. could

not exceed five per cent; and which, in the course of a year's fluctuation, would hardly make the loss of any individual amount to more than one per cent. In one word, if the contraction of the currency had any tendency to reduce the price of all other goods, the bullion merchants would be eager to take advantage of it; and this, without the least inconvenience, would answer all the purposes of an extended currency."

Idem, Pages 10 & 11.

III. "Not only since the passing of Mr. Peel's bill, but since the very time in which, according to Mr. Western, there was a *money famine* in England, millions have been expended in the purchase of Greek bonds and joint-stock *bubbles*; and the eagerness of the English, *up to this moment*, to purchase shares in every *plausible* speculation, abundantly proves, that whatever may have been the cause of our distress, it has certainly not been occasioned by any lack of capital.

"Mr. Western may perhaps be disposed to make a distinction between capital and money; but if a man can dispose of his capital in the purchase of joint-stock speculations, he has the means, as far as his capital extends, of purchasing every thing that is on sale throughout the country; and this very fact, which no one, I am sure, will venture to dispute, ought to convince every one, who is capable of reflection, that a contraction of the currency, though it may have occasioned trifling inconveniences, is not the cause of a fall of prices."

Idem, Page 31.

IV. "So much for the wisdom of Mr. Cobbett's object. Let us now see by what new mode of logic he jumps to his conclusion 'That the passing of Mr. Peel's bill, by obliging the Bank to contract its issues, has raised the market price of money.' In order to make his argument good for any thing, he must consider money, (whether in gold or promissory notes) not in the light of a circulating *medium*, 'the *representative* of that part of the property of a kingdom which is in *transitu* and *no more*,' but as a *marketable* commodity, which, like corn or any other marketable commodity, will be cheap or dear according as it is scarce or abundant; and, viewing it in this light, he fancies that he has made the wonderful discovery that a contraction of the currency, by rendering it less abundant, must necessarily have increased the value of that which remains, in the same proportion that its quantity has been diminished. Now, taking it in either point of view: as a circulating medium, it represents property in general; as a marketable commodity, it represents, not property in general, but merely gold bullion, with its value stamped upon it, in order to save the trouble of assaying it every time that it passes from hand to hand; and, in either case, it cannot affect the value of property, because the total amount of property in general, or of gold in particular, is precisely the same as it was before. An extension of Bank promissory notes *which are merely the representatives of gold*, cannot diminish the value of gold, because it does not

increase its quantity ; and it cannot, in any way, increase the means of the bullion merchants, or of any other class of the community, to purchase goods at a dearer rate.

Idem, Pages 33 & 34.

V. When the trade of a country is in its infancy, capital is scarce ; and, at that time, it must be beneficial, both to the individual and the community, to trade with borrowed capital ; because this will tend, at once to reduce the price of goods in the market, and increase the profits of the manufacturer ; but the moment that capital has accumulated to such a degree that the average supply of goods in the market exceeds the demand for them, every *additional* quantity of capital, employed in the manufacture of these goods, will diminish the per centage of profit in the same degree ; because no one would be induced to purchase more goods than he wanted, unless their prices were proportionably reduced. This is the state in which we are at present. During the war, nearly the whole of our immense loans were laid out, by Government, in the purchase of manufactured goods, a large portion of which were munitions of war ; and consequently, at the close of the war, a demand for goods, to the amount, probably, of more than £50,000,000 annually, suddenly ceased. This, of course, must have thrown many people out of employ—not to mention the multitudes of discharged soldiers, seamen and dock-yard men ; and, to increase the evil, the manufacturers of goods, for war purposes, which were no longer wanted, must have invested their *otherwise* useless capitals in some of the remaining branches of trade, which, by multiplying the quantity of these goods and increasing the competition, at the same moment that the demand for them was diminished, must have assisted mainly in bringing about that *first and greatest* depreciation in the value of property, which took place at least three years before the passing of Mr. Peel's bill.

Idem, Pages 11 & 12.

SIR,

1. About the beginning of last February, I published a pamphlet, which had for its title “ The present Commercial Distress traced up to the True Cause,” in which, *in my own opinion*, I clearly proved that a contraction of the currency can have had little, or nothing, to do with the fall of prices.

2. For reasons stated in the preface, one of the numbers of this pamphlet was sent to you : and, as it contained an attack upon your opinions, your passing it over in silence must have proceeded from a conviction, on your part, that my arguments were unanswerable.

3. As a writer, Sir, in the Bath Journal, under the fictitious signature of Candidus ; it was easy to say that, “this pamphlet is, without exception, the most *flimsy*, falacious, and silly production, that ever

emanated from the press" ; but, as Mr. Cobbet, you could not have ventured to make such an assertion, in the *Political Register*, without producing evidence of the fact ; and the extracts from it, with which I have headed this letter, must be sufficient to convince every *impartial* reader, that, whoever may have been the author of it, the assertion is a groundless calumny.

4. Had you been the advocate of truth, instead of the Champion of a party you would have noticed the pamphlet for the sake of truth ; and as the champion of a party, if you had not been afraid of the result, you would still have noticed it, *as you did the writings of Mr. Western on the same subject*, in order to prove, in the face of the world, that your own opinions were irrefragable.

5. Like the satyr in the fable, it appears that you can blow hot and cold with the same breath ; for, if you will take the trouble to refer to your own Register, you will find that, in a great many instances, the principle reason which you assigned for noticing those pamphlets, that were opposed to your opinions, was the worthlessness of their contents ; or, to borrow a phrase of your own, the opportunities they afforded you "of showing up the authors" ; and yet, in the present instance, where a direct attack has been made upon your favorite theory, you tamely submit to my animadversions, and would have the world believe that your refusal to accept my challenge does not proceed from any apprehension you have for the result, but because my arguments are unworthy of notice.

6. In general, Sir, you are ready enough to "run a muck" against all parties that will not succumb to your opinions ; but here you decline a challenge that has been proffered you ; and yet you persist in running about the country promulgating the very doctrines which you are afraid to have discussed. You solaced yourself, no doubt, in the hope, that, because the critics, who, like all other men, can shut their understandings against those arguments that are opposed to their professed opinions, that, because the critics had taken no notice of my pamphlet, you would never be called upon to reply to it ; and if you had not announced your intention of favouring the City of Bath with a course of lectures on Political Economy, your expectation, in all probability, would have been realized.

7. On seeing this announcement in one of the Bath papers, I very gladly embraced the opportunity of calling your attention to my pamphlet ; and you must allow, Sir, that the conduct which I pursued, on that occasion, the very reverse of yours was at once open and manly. I immediately, *in my own name*, addressed a letter to you, in the * Bath Journal, in which I called upon you to reply to my strictures upon

* At first I did not suspect that my opponent Candidus was Cobbett in disguise ; and therefore, for fear, my challenge should escape your notice, I expressly ordered one of these papers to be sent to you.

your former lectures; and informed you, that, though I should not be present at those lectures, I should read the report of them; and make whatever comments upon them I should think necessary in this same paper.

8. Here then, Sir, you received a second challenge, from a person whom you affect to despise, and yet, rather than meet him in an arena where both parties would be sure to have fair play, you voluntarily forfeit all the golden prospects of emolument which you had expected to derive from this visit to the city of Bath. You announced your intention of visiting Bath, immediately after the funeral, and that promise has not yet been fulfilled, though no reason has been assigned for the breach of it. You cannot surely entertain any doubts with respect to the pecuniary advantages which you would derive from the fulfilment of this promise; for those very letters which have passed between me and *you*—I beg pardon, I should have said between me and Candidus, these very letters must have excited public curiosity in a great degree; and you may depend upon it that even now, at least, if you could make out a good case in favour of your theory, that you will cram the theatre every night, and be rewarded both with money and applause; for what *honest* man would not be delighted at the prospect of being able *conscientiously* to relieve his own burdens, by throwing a large portion of them on the shoulders of his neighbour? As your friend Candidus has pronounced my pamphlet to be a flimsy, fallacious and silly production, you ought to have no fear upon that score; and why then do you allow me to enjoy a fancied triumph at your expense? why do you suffer me to *repeat* that it is *solely* from the fear of subjecting yourself to the lashes of my criticism, that you at once deprive yourself of a golden harvest, and disappoint the citizens of Bath of the mental treat which you had led them to expect?

9. Though, Sir, as Mr. Cobbett, the editor of the Political Register, you have taken especial care to avoid entering into a controversy with me upon this subject, you were nevertheless aware that something in the shape of a justification, would be expected for this, on your part, most extraordinary forbearance; and, accordingly an anonymous scribbler, who is ashamed to give his name, has addressed several letters to the Editor of the Bath Journal, on your behalf, in the hope of inducing the public to believe that my production is altogether too trifling to merit any notice from so great a man as the author of Paper against Gold. This writer, Sir, who without one particle of candour, has assumed the signature of Candidus, and who, *if you are not the person*, must have been miraculously inspired with a perfect knowledge of your intentions; this champion, this advocate of a man, who is afraid—at least in his own name—to defend his own cause, has had the assurance to inform the public, through the medium of that paper, that I am not destined, by Mr. Cobbett, to have the *honour* of

occupying a niche in his Register; because, *forsooth*, as I had never read your highly vaunted Essay on 'Paper against Gold', I must be utterly incompetent to discuss so intricate and difficult a question. As if it were impossible to derive information, upon this important subject from any other source than your writings; or as if Adam Smith's 'Wealth of Nations,' in which a similar fall of prices, after a war, is *more rationally* ascribed to a different cause, as if his most meritorious work did not contain all, and more than all the information that is to be found in your book: with the exception of a history of events, that took place long after that work was published.

10. As Candidus however has laid so much stress upon the knowledge I might have derived from a perusal of your book, I have taken the trouble of reading it all through; and though, *as a system of sophistry*, it undoubtedly does credit to the ingenuity of its author, I am at a loss to conceive for what purpose I was called upon by Candidus, to read it, except as it answered the purpose of affording you a decent pretext for shuffling out of this discussion. As a record of facts, it may possibly be useful; but I cannot discover a single argument in it, that has any relation to the consequences to be apprehended from a contraction of the currency, but what is amply refuted in the extracts, *from my pamphlet*, with which I have headed this paper.

11. This Sir, you, of course, will deny; but if I have done you wrong you have the means of revenging yourself in your own power; and if you can produce a single passage from that work, that will stand this test, I will forfeit all pretensions to the character of a rational being.

Your friend Candidus attempted to do this for you; he culled out of it the best argument he could find for that purpose: and, had he been a school boy, his master, in all probability, would have decorated him with the dunce's cap, for advancing so silly a proposition. This, as I shall show presently, was a complete failure; and now, I suppose, I shall be, told that it will be necessary for me to wade through all the pages of the Political Register, before I can be, in any way, competent to discuss this question with the great Mr. Cobbett; and, after that *if, it will answer the purpose of further evasion*, I shall probably be sent to the Porcupine; in which, by your own acknowledgement, you opposed the principles which you are now advocating, and supported, most strenuously, those very measures of Government, which you are now repro-
bating.

12. In my pamphlet, without any sophistry, or paltry evasion, I fully and fairly canvassed all the arguments I could find, in Mr. Sadler's celebrated speech to the merchants and ship-owners of Whitby, in Mr. Western's two letters, to his constituents on the Currency; and *in your first three lectures on the same subject, as they were reported in the Morning Herald*. In neither of these documents could I discover the slightest allusion to a contraction of the currency *prior* to

the passing of Sir Robt. Peel's 'Cash payment bill;' and therefore, as I did not suspect either of you of entertaining such an idea, I very naturally charged you all with being guilty of the absurdity of making an effect precede a cause; because whatever may have been your mental reservations, you all attributed the fall of prices to the passing of Peel's bill,* though the greatest depression in the prices of goods, or at least of farm produce, was prior, and not subsequent, to that event. The observations, in my pamphlet as I expressly stated, were pointed at your lectures which I had seen, and not at your writings which I had not seen; and as, in those lectures, you attributed *all* the distress to the operations of Peel's bill, and made no mention of any previous contraction of the currency, it never once occurred to me that you did not mean to be *literally* understood. On this point, however, it seems I was mistaken; and Candidus (after producing a number of extracts, from your writings, in order to prove that, before the passing of that bill, you had attributed the distress of the times, to a previous contraction of the currency,) has made the following remarks:

"The laws from 1814 to 1819 inclusive, were of an *experimental* nature; they were several times changed" (*Query*) "and high and low prices were the result, as the paper money was contracted or extended, and the markets, whether for raw produce or manufacture, rose and fell *with the precision of a pendulum*;—but when Peel's bill passed, which was intended to be a permanent enactment, and *embraced all the evils of the antecedent measures*, it became unnecessary to go further back".

13. After what has been stated by Candidus on this subject, and after having read your *introductory* Letter on Paper against Gold, which was dated in 1817, I can no longer entertain any doubt that, prior to Peel's bill, you did actually attribute a preceding fall of prices to a preceding contraction; but you have only yourself to blame for my mistake. Your lectures on the currency ought to have been complete in themselves; for it was hardly fair to make people pay six or eight shillings, for attending your lectures, and then refer them to your writings, in order that they might comprehend what the lectures were about.

If you had been candid at the commencement of these lectures, and had explained to your auditors, that for the sake of avoiding unnecessary circumlocution, whenever you spoke of Peel's bill, you meant to include all those *preceding* laws that had any thing to do with a contraction of the currency, you would have prevented a great deal of misconception; but at the same time you would have subjected yourself to some very awkward questions; and, after all, you could not, with propriety, in that

*Mr. Western evidently meant to be so understood; for, in order to make it appear that all this stagnation of trade was occasioned by that bill, he expressly observed that the Manchester riots had their *commencement* towards the *latter end* of the year 1819; though, by the way, they commenced at least four years before that period.

case, have laid any part of the blame on Peel's bill ; because, as you well know, the prices were lower before the passing of that bill, than they have ever been since ; and therefore, to make the argument good for any thing, it must be necessary to shew that there has been no contraction of the currency since that bill was passed, which would effectually overthrow all your preceding arguments on this subject. In short, Sir, writhe and twist as you will, you cannot extricate yourself from this dilemma ; for either the great fall of prices, which took place shortly after the war was over, was occasioned by a contraction of the currency, or it was not : if it was not, we can have no ground to suppose that the prices have been *materially* affected by a contraction of the currency ; and if it was, the contraction of the currency has certainly not been increased by a return to cash payments ; so that in either case, all that you have written upon this subject, all your predictions, and all your arguments are just worth so much waste paper.

14. If, as Candidus affirms, these *experimental* laws had actually been made, and prices had risen and fallen, *with the precision of a pendulum*, as the paper money was extended or contracted, there could have been no dispute about the real cause of distress, or the best means of alleviating it ; and nothing but absolute madness, on the part of the ministry and the majority of both Houses of Parliament, could have induced these members to pass a bill, which, otherwise, they could not but have known would be so pernicious. For my own part, with all due deference to so great an authority, I must confess that I am more inclined to suspect, that Candidus has made a mad assertion, than that both Houses of Parliament, that a body of men, whose best interests are undoubtedly wrapped up in the prosperity of the nation, could have acted so madly ; and as it does not appear that either Sir Robert Peel, who proposed the bill, or the majority of Parliament, who supported him, were convinced by these experiments, it is pretty evident that they were either not made at all, or, if they were, could not be depended upon.

15. Candidus, in the above quotation, says that these experimental laws were *several* times changed ; and I suppose I shall subject myself, a second time, to the charge of ignorance and incompetency, if I ask you to make this appear. As I have no documents to refer to, and only my memory to depend upon, it is very possible that I may be mistaken ; but I certainly have no recollection of any law, that had the slightest tendency to contract the currency, prior to the Cash payment bill which took place in 1819. The object of the law that was passed in 1814, was merely to accommodate the Bank by *putting off* the return to cash payments to a more distant day ; and the Cash payment bill in 1819, *unless my memory deceives me*, allowed the Bank *two years to prepare* for the event before it could be compelled to pay in gold ; which makes it almost evident, that there had been no material contrac-

tion of the currency up to that period ; for why should the Bank require two years to prepare for that event, if it had already commenced paying in gold?

16. Up to the year 1819, the Bank was not called upon to pay in gold, and, *apparently*, had no wish to do it ; for the dividends were still paid in paper, *the small notes were not called in*, and the gold sovereigns, *I believe*, did not appear till after the end of that year.

The amount of Bank issues might possibly have been in some measure diminished prior to the passing of Peel's bill ; but it does not necessarily follow, from thence, that this *partial* contraction proceeded from any desire, on the part of the Bank Directors, to make experiments for the sake of ascertaining what effect they would have upon price.

For reasons which are stated in the fifth extract at the head of this letter, the Bank, at the return of peace, must necessarily have become less liberal of its credit, even if there had been no immediate prospect of a return to cash payments, and this, of course, must have reduced the amount of its issues ; but if the profits of trade, *and the securities depending thereon*, had not *previously* fallen off, it is not reasonable to suppose that the Bank would have, wilfully deprived itself of a very considerable profit by reducing its loans, and thereby contracting its issues, before it was compelled to do so by act of Parliament ; and this reasonable presumption *unless it can be contradicted*, affords sufficient grounds to justify my conclusion that the contraction, *prior to the passing of Peel's bill*, must have been in consequence of the distress, and not the cause of it. But at all events, the onus of proving this lies with you, and not with me. It is very easy to ascertain, *by a proper application to the Bank Directors*, whether the contraction of Bank issues was previous to the *first* symptom of distress, or subsequent to it ; and until you can make it evident that the contraction, at least to any considerable amount, *preceded* the distress, you have no right to assume that the distress was occasioned by it.

17. Before I proceed to notice your arguments on 'Paper against Gold', I shall make a few more observations on the letters of Candidus ; partly Sir, because I am fully persuaded that you are the author of them, and partly because, as I have spoken slightly of the production, I will not put it in his power to retort upon me, that, for the sake of exciting a prejudice against my opponent, I have made a charge which I know myself to be incapable of substantiating.

18. In my letter to you, which appeared in the Bath Journal, I called upon you to explain the process by which a contraction of the currency produces a fall of prices ; and Candidus, knowing *before hand* that you, *at least in your own name*, would not favour me with a reply, undertook to perform the task for you ; and his three unsuccessful attempts to penetrate your "palpable obscurity", sufficiently proves that such an explanation is impossible.

19. The first attempt of Candidus to explain in what way a contraction of the currency can produce a fall of prices is copied, almost verbatim, from your essay on Paper against Gold ; and consequently, whoever may have been the author of the letter, the argument, if it is not a profanation of the word to call it an argument, must claim you for its father. "If," he observes—"the contraction or extension of the currency have nothing to do with the regulation of prices, why not refer to a medium of exchange which is to be found every where in abundance ; such as iron, tin lead &c. ? They are surely as good as *bits of paper*, which can be issued *ad libitum*". The inference, which Candidus deduces from the above passage, is not good ; *and is completely overturned by the first and fourth extracts at the head of this letter.*

To make the comparison good for any thing, he should have stamped these bits of tin and lead *with an indelible impression*, which would have bound the issuer, *at the end of a given time*, to pay to the holder the full amount of their *nominal* value in sterling gold ; and then they could only be issued, *ad libitum*, by those persons who made themselves legally responsible for the payment of their nominal value.

The answer then is sufficiently obvious : the value of a Bank promissory note, during the time that the Restriction bill was in force, depended upon the credit of the establishment, and not on the amount of the issues. If the solvency of the Bank had been suspected, no contraction of its issues would have raised their value ; and if, as fortunately was the case, its credit stood high, no extension could have depreciated them. For thirteen years after that bill was passed, that is until you undertook to open the eyes of the public, by your essay on Paper against Gold, there was scarcely one man in ten thousand that was at all aware that the amount of Bank issues was increased ; or whose property could *sensibly* have been affected, either one way or the other, by an extension of the currency ; and how, in the name of common sense, could a rise of prices have been produced by an occurrence, which was not generally known, and which could not, at least perceptibly, have had any effect upon the value of property ?

20. I dare say Sir, you will affect to smile at this question ; but, if you will seriously endeavour to answer it you will find that I am right. By your own account, there are but two ways by which the amount of Bank paper can be materially increased : one is by the payment of the dividends in Bank paper ; and the other by an extension of credit ; and how, I ask, can an increase of these issues in any way affect the property of those persons who receive no part of them ?

Those persons who borrow money from the Bank, know very well that they will have to pay interest for it up to the time of payment ; and to be enabled to effect this, they will naturally endeavour to *keep down*, but not raise the prices ; or, if they should be so foolishly thoughtless

to borrow money and injure themselves, for the sole purpose of raising the prices, these high prices could only be kept up as long as their borrowed money lasted; and, by the end of the year, the *quantity of capital* in the market, which is the *real fulcrum* upon which the rise and fall of prices depend, would be as low as it was the preceding year. An extension of credit cannot *materially* affect the prices, because it cannot be for the interest of the borrowers to raise the prices; and, if it were otherwise, it would not be in their power to do it.

The persons, who are accommodated with loans from the Bank, do not amount to more than one man in ten thousand of the whole community; and if you had consulted Adam Smith, instead of your own vain fancies, he would have taught you that the prices of, at least, the common necessities of life depend upon the means of the *whole body* of consumers, and not upon the more fortunate circumstances of a *few* individuals.

21. With respect to the increase of the dividends, your inference is equally untenable; because they are nothing more than interest money, which is paid for bona fide property that has been lent to the Government. If these dividends had never been paid to the public, the public creditor would not have parted with his property, by way of loan to the Government, and the same money would, in all probability, have been laid out in some other way. This increase of dividends, after all, only keeps pace with the increase of property, for these enormous loans could not possibly have been procured in the first American war; and we certainly have no reason to conclude, from any thing that has appeared in your writings, that the extension of the currency, during the war, exceeded the wants of the nation; or did not bear a fair proportion to the increase of the capital of the whole community.

22. In his second letter, Candidus, I suppose for the sake of emendation, most sapiently observes—"that I appear to be unaware that, as the quantity of medium is large or small, so will prices be; *because they must be high or low, according to the quantity of medium by which their nominal value is estimated*;"—which, in plain English, signifies *that it is so because it is so*.

I surely, Sir, cannot be expected to give a serious answer to such a childish proposition. One of Shakespear's clowns, in the Comedy of 'As you like it,' is made to affirm that "*that that is, is*"; and this wonderful discovery of Candidus will, at least, bear a comparison with the philosophy of Touchstone. Motley, after all, is your only wear and it would certainly puzzle a philosopher to decide which, of these two worthies, is best qualified to assume that enviable distinction.

23. In his third letter, Candidus repeated his first proposition, about bits of tin and lead, in order to correct an unintentional misquotation of mine, which did not, in the slightest degree, affect the sense of the whole passage; and after this, he subjoined what follows,—

"If gold and silver mines were to be found in this country, to the

extent of those of lead, iron, or tin, is it not manifest as the sun at noon day, that the depreciation of the precious metals would be the result, and like the baser metals, no longer suited for a medium of exchange, and that some other medium must be resorted to, seeing that this abundance would render them even less valuable than the baser metals”.

This then, it seems, is the ultimatum, the ne plus ultra of all that can be advanced in support of your theory ; this is the consummation of a six weeks deliberation ; and yet Sir, if you will take the trouble to refer to the first extract at the head of this letter, you will find that I had both anticipated and refuted this very argument, in the pamphlet which Candidus pronounced to be a falacious and flimsy production.

A large influx of gold, or the opening of a newly discovered mine, would undoubtedly lower the value of the gold coinage, or, what would amount to the same thing, would raise the money price of all other goods ; but an extension of Bank promissory notes, which are nothing more than *legal instruments* binding the issuer to pay on demand their nominal value in gold, cannot I presume affect the value of gold, either as bullion or in coinage ; because the demand for gold bullion, the quantity on sale in the market, and the *means* of purchasing it must be precisely the same as they were before. An *extension* of gold coinage if it should be required, would *raise* (not lower) the value of gold in a small degree, because it would diminish the quantity on sale, and so far increase its value ; but an extension of promissory notes, whether public or private, can have no tendency to alter the value of gold, because it does not change the amount, and therefore cannot affect the *gold* prices of goods ; though the value of the notes themselves must of course depend upon the credit that is attached to them.

The French national assignats were not depreciated on account of their enormous amount, but because they were not bottomed upon any real, or discoverable property ; and because no confidence could be placed either in the integrity or the stability of the Government, which was continually changing ; and this suspicion was abundantly justified by the well known fact, that, to this day, they have never been redeemed. The Bank of England paper on the contrary was bottomed upon real, or, at, all events upon *substantial* property ; and, when the restriction bill passed, a committee of the House of Commons (which, for state-purposes, I *presume*, was a secret one) was perfectly satisfied that the fund, belonging to the Bank for redeeming its debt, though not available perhaps at the moment, was very considerably more than sufficient to cover the whole of its amount.

24. All promissory notes, as they legally bind the issuers to pay for them in gold, are, strictly speaking, the representatives of gold ; but, in a more general sense, they may properly be considered as the representatives of property of every description ; and it is possible that the nominal value, of all the promissory notes in circulation in a

kingdom, may very far exceed the total amount of its gold bullion, without producing the slightest inconvenience. A man, for instance, who possesses an estate of ten or twelve thousand a year value, may commence banking, and issue promissory notes to the full extent of his property, without keeping more gold in reserve than will answer the ordinary wants of his establishment ; because if he should be unfortunate and fail in his speculations, he will only have to sell his estate to pay off his debts. Supposing all the promissory notes in the kingdom to be presented for payment at the same time, there would not, in all likelihood, be gold enough in the kingdom to take up one half of them ; but if all those notes were bottomed upon real, or substantial property, the holders of them, that could not obtain payment in gold, would sustain no loss from the failure ; because they would receive the full value of the gold in property of some description ; which would answer every commercial purpose quite as well.

25. Gold bullion, that is gold separated from the currency, is an article of barter, a marketable commodity, as well as beef or mutton ; and why an extension of promissory notes, which are *evidently bottomed upon property of every description*, should raise the value of farm produce, and yet lower the value of gold, is far beyond my limited conception. I have sought in vain for a solution of this problem, in the elegant, but certainly not argumentative speech of Mr. Sadler ; in the Letters, on the currency, of Mr. Western ; in your Lectures ; and finally in your essay on Paper and Gold ; but I can meet with no answer, to satisfy my mind, in any one of these productions.

There is plenty of bold assertion in all of them, but no argument ; at least no argument that rises above the level of Candidus's wise proposition, that it is so because it is. Because goods, *which have an intrinsic value*, are cheap or dear according as they are scarce or abundant, you maintain that Bank promissory notes, *which have no intrinsic value*, and which, in fact, are nothing more than the acknowledgement of a debt ; you maintain that these must be reduced in value in the same proportion that their nominal amount is increased ; without once taking into consideration, that, as the law now stands, the Bank is obliged to pay gold for them on demand ; and that the value of this gold must depend upon the amount that is on sale, not only in the English market, *but in every market with which we have any dealings*.

Upon this *one* premiss the whole of your theory is grounded, and, when I ask for a more satisfactory explanation of it, I am either answered with a repetition *differently worded*, of the same argument ; or am told, that, "though this appears to mystify me, it is clear enough to all others who have examined the question ; that there are not now two opinions upon it ; and that I am manifestly too much of a novitiate to discuss it" : a mode of arguing which, by the way, is the last resort of imbecility ; and is, indirectly, an acknowledgement, on the part of the person

who had recourse to it, that the opinions you advocate have no solid ground to stand upon.

26. As I have stated in the former paragraph, the whole of your theory rests upon a single premiss, which you are not able to substantiate ; while the arguments, on my side of the question, are so numerous that the only difficulty lies in making the selection. The French national assignats, as was before observed, were depreciated *solely* from want of confidence ; but their enormous extension did not, in the least degree, diminish the value of the gold coinage, which made a part of the currency, as is evident from your own showing ; for you expressly say that an enactment to equalize these two species of currency, drove all the gold coinage out of that country ; which evidently proves that an extension of paper money cannot depreciate the value of the gold part of the currency.

27. Whatever may be the amount of Bank paper issues, the value of a gold sovereign must depend upon the price of gold bullion ; and the price of bullion is regulated, not by the *amount* of Bank issues but by the demand for it in the market. In order to make this more evident, let us suppose a case, which might really have happened formerly in England, and which, at all events is within the bounds of probability. Let us suppose a country in which there is no paper money ; and that in consequence of the very *rapid* improvements in trade, it is found necessary to double the amount of the whole coinage, and issue the same as fast as it can be struck at the mint. Supposing this large increase to be gradually and slowly brought about, the effects would be hardly perceptible ; but if it were done at once, this extraordinary demand for gold bullion, to convert it into coin, would necessarily raise the price of it, and the value of the coinage would be regulated accordingly ; so that, in opposition to your dogmas, an *extension* of the currency, supposing it to be in gold, would lower the *money* price of goods and not raise it.

28. I will now put another case. Let us suppose that about this time, a bank company had just been established ; and that instead of increasing the metal coinage, the currency was doubled by an issue of promissory notes, *payable on demand*, in gold. Now, supposing the public confidence in the stability of this bank company to be so great that its notes were seldom, if ever, presented for payment ; and that in the full assurance of this confidence continuing, it was not thought necessary to be prepared, with cash or bullion to meet any sudden demand ; supposing this to be the case, it follows, of course that the quantity of bullion on sale, and the demand for it, would be precisely the same as they were before ; and if, as would probably be the case, the bank should think it necessary to keep a certain quantity of bullion in store in order to be prepared to meet any extraordinary demand, that quantity must undoubtedly be purchased in the bullion market, and, so far, would diminish the quantity on sale ; and thereby, in a small degree,

would lower and not raise the money price of goods. Stripping the question then of all the mystery in which you and your coadjutors have enveloped it, it follows that a *mere* extension of paper money produces no effect on prices; but an extension of gold currency must raise the price of gold bullion, in a small degree, by increasing the demand for it; and, so far, the Cash payment bill may have contributed to lower the prices of other goods by raising the value of gold; but this effect must have been occasioned *solely* by an extension in the amount of gold sovereigns, and not by a contraction of Bank paper; and, after all, it is too trifling to deserve any serious notice; because, in the first place, the quantity of bullion, that was purchased on this account, bears but a small proportion to that which is on sale throughout the world; and, secondly, *because it produced no sensible alteration in the price of gold on the continent**.

29. I have expatiated so largely, upon this subject, in my observations upon Candidus letters, that it will hardly be required of me to tire the reader's patience with a minute investigation of the *same* arguments, *though perhaps a little varied in the wording of them*, that are spread over a work of more than three hundred pages. I have already replied to your argument about bits of tin, lead, &c. in the 19th. paragraph; and shall content myself with discussing only one more, which appears to me to be, at least, as good as any in your book; and which is grounded on the report of the Bullion Committee, which was appointed in 1810, to inquire into the cause of the high price of gold bullion.

30. The following is extracted from your essay on Paper against Gold; and, in case you should be disposed to insinuate that I have made an unfair selection, I repeat, that if you will produce one argument, from this book, that has any reference to the question at issue, which is not *completely* refuted, both in the *heading* of this letter, and in the body of the work, I will forfeit all claim to the character of a rational being.

31. You observe that "the result of this committee's inquiries is in substance, this: *that the high price of gold is occasioned by the low value of the paper money; that the low value of the paper money has been occasioned* (as you know the low value of apples is) *by the great abundance of it; that the only way to lower the price of the gold is to raise the value of the paper money, and the only way to raise the value of the paper money is to make the quantity of it less than it now is.*"

32. These propositions are, I *suppose*, indebted, for their origin, to the Bullion Committee; but, whoever may have been the authors of

* I have numbered the paragraphs in order that they may be separately referred to; and if the *impartial* reader will do me the favour of reading these two paragraphs (27 and 28) *with attention*, I am persuaded that he will find in them a *full* refutation of *all* the arguments, *on the opposite side of the question*, that have been or *can* be advanced, either by Mr. Cobbett, or any other writer or speaker.

them, you have made yourself responsible for their correctness, by observing, in the same paragraph, that, "these propositions contain well known, and almost *self-evident* facts;" and I shall now show that they not only do not contain *self-evident* facts, but are directly opposed to the principles of common sense. Apples, as you very justly observe, are cheap or dear, according as they are scarce or abundant; but it does not follow, from thence, that the value of promissory notes must depend upon the quantity that is issued, and not upon their nominal amount. The proprietor of an orchard, for instance, in the course of his commercial speculations, gives a cider manufacturer, an order on his steward, or bailiff, for the payment or transfer, of a thousand bushels of apples, as soon as they shall become ripe. This cider manufacturer very naturally expects to be paid the quantity of apples which is stated in the bill; but he is told in reply, that he is to receive no more than one hundred bushels of these apples, not because there is any deficiency in the crop, but because other promissory notes, of the same character, have since been issued, *and possibly by other people*; and that the value of these notes is *necessarily* depreciated in the same proportion as their numbers are increased. Is it possible, I ask, to conceive a more absurd idea? and yet this proposition is the foundation stone, the very essence of all that has been advanced in favour of your theory. Supposing that these notes were put in circulation, before the apples were ripe for gathering, what would be the question concerning them? Would not their values depend upon the credit of the issuer, and not upon the quantity of notes which different people may have put in circulation? If the means of the issuer should not generally be supposed sufficient to meet all his engagements, his notes would undoubtedly become depreciated; but this most certainly would not be occasioned by any increase in the amount of issues, but simply by a want of credit. Convert the word apples into gold bullion, and what makes the difference? Gold, as well as beef and bread, is an article of barter; and men of all classes, in this commercial kingdom, are almost momentarily giving notes of hand, for the payment of certain sums in gold, in exchange for other goods. These notes, *which are inconceivably numerous*, are continually circulating from hand to hand, but their separate values depend solely upon the *credit* of the issuers, and not upon the quantity which is issued. The value of the *standard* currency of the kingdom, whether in gold or paper, cannot be at all affected by an increase or diminution of promissory notes of any other description, because the issuers of these notes are *alone* responsible for their own failures; and yet the scope of your essay is to create a belief that the value of the Bank of England paper must depend, in great measure, upon the amount of country bank notes: and, by a necessary consequence, of notes of every other description, as well. The quantity of gold bullion on sale in the market, and its value as an article of barter, cannot be increased or diminished

by any alteration in the amount of promissory notes; and the value of the currency, whether in gold, or paper payable in gold, must depend upon the price of gold bullion. The value of the Bank paper issues, *now* they are payable in gold, must depend upon the price of gold, and not upon the quantity in circulation; and the value of the Bank paper issues, during the time that the restriction bill was in force, depended *solely* upon the confidence which was placed in them. In one case, no increase of Bank paper issues can lower the price of gold, because it does not increase its quantity; in the other, the value of these issues must have depended upon the *credit* of the establishment, and not upon the quantity in circulation; and, as it does not appear, that, at any one time, during the war, there was any doubt entertained of the *solvency* of the Bank, I maintain, in opposition, both to your dogmas, and the report of the Bullion Committee, that the Bank of England paper never was depreciated; and that a contraction of its amount, *under these circumstances*, could not have raised its value.

33. I have read your book once through, with attention, and marked those pages I might have occasion to refer to; but I cannot discover in it a single argument, that goes to prove that the Bank paper was depreciated, but what a child ought to be ashamed of.

It appears, by your own report, that the bullion Committee was appointed to inquire into the cause of the *high price of gold bullion*; and that these gentlemen reported that it was not a rise in the price of bullion, but a fall in the value of the Bank paper, that occasioned the inconvenience which the country complained of. Now, as this unexpected report was made by the committee, in manifest opposition to the opinion of those who appointed it, the onus of finding proof certainly belonged to them; but, according to your statement, these gentlemen contrived to shuffle the burden from off their own shoulders, and very dexterously placed it upon the backs of their opponents. When the ministry denied that the Bank paper was depreciated, they were asked in what way they accounted for the great differences in the values of gold and paper? and when they replied—‘by a rise in the value of gold’, they were again asked ‘how it had come to pass at this time, above all others’?

This last question seems to have satisfied you, for you carry on the *argument* no further; and yet the ministry might reasonably have retorted upon the Committee, by asking in return how the *fall in the value of Bank paper*, came to pass at this time above all others?

34. You have not informed us what answer the ministry gave to this question,—beyond the mere assertion, that it had been brought about by the extraordinary measures which Buonaparte had latterly * adopted; but if you will take the trouble to read the following paragraphs with attention, you will see that it is easy to *prove* that there

* Alluding, of course, to the Berlin decrees, which prohibited, not only the importation, but the *use* of English manufactures, all over the continent.

must have been a *very considerable* rise in the price of gold about that time: while it is all but impossible to imagine in what way, *under the circumstances, there could have been a fall in the value of the Bank of England paper.*

35. Gold bullion, as has been already observed, is an article of commerce; and its value, or barter price, depends partly upon the amount which is on sale in the market, and partly on the demand which is made for it. Up to the passing of the Bank restriction bill in 1797, the value of the Bank paper, which was payable in gold, depended upon the price of gold; but immediately afterwards a separation (though not intended) necessarily took place. The value of the paper then became totally dependent upon the credit which was attached to the establishment; while the value of gold, as before, depended solely upon the state of the market; and as a very great difference was observed, *some years afterwards*, in the values of these two species of currency, it became a question whether this difference was occasioned by a rise in the price of gold or a fall in the value of paper. As in this retired spot, I have no other document than your book to refer to, I cannot say *precisely* what was the price of gold at the time the restriction bill passed; but I will state it at £3. 17s. 6d. the ounce; because I *believe* that that was *very nearly* the amount, and if I have committed any error, on either side, the reader by referring to the gazettes, can easily make his own correction. But whatever may have been the price of gold in 1797, it appears by Lord King's notice to his tenants, which was alluded to by you, that, in 1802 (and probably up to the Berlin decrees in 1805) the price was £4. per ounce; so that, for the first five years after the separation, the difference did not amount to *more possibly much less* than half a crown in £4, or a small fraction more than 3 per cent. Here then we have a documentary proof, that the Bank of England, up to this time, still possessed the confidence of the public, and that its paper issues had not been *materially* depreciated; but in 1805 (I believe) Buonaparte passed the Berlin decrees, which prohibited not only the importation but the use of English manufactures, *all over the continent*, at least as far as it was subject to his dominion; and consequently, during the remainder of the war, we could only carry on a trade with a great part of the continent, *by exporting bullion*, which, by increasing the demand for it, must necessarily have raised its price. This alone is quite sufficient to account for a very great increase in the price of gold; but, subsequently, about the time that the Bullion Committee was appointed, we had an army to provide for, in the Peninsula, of probably not less than one hundred thousand men, all of whom were paid by us in *cash* of some description; and I now put it to the good sense of the *impartial* reader, whether these two drains upon the bullion of the country must not *necessarily* have produced a very great rise in its price?

36. So long as the Berlin decrees remained in force, and we had a large army on the continent, which was to be maintained by the expenditure of British gold, the whole of which was necessarily spent abroad, these two incessant drains upon the gold of the country ought to be considered quite sufficient to have raised, and afterwards, kept up the price of gold; but, at the same time I am bound to admit, that, if the high price of gold depended solely upon the existence of these two causes, the effect must naturally have ceased, at the end of the war, when these causes were removed; and if I could be sure of obtaining the proper documents, I would very gladly agree to let the merits of both sides of the question rest upon this one criterion. That the price of gold fell, at least *very nearly*, to its old level, immediately after the conclusion of the war, may be proved (*I believe*) by the gazettes; but, at all events, it may be proved by the fact, (*if it is one*) that, in numerous instances, gentlemen, who wished to visit the continent, received, from their bankers, letters of credit, for cash payment on foreign bankers, to the full amount of their Bank paper deposits; with the exception *possibly*, of a *very small deduction*, to make up a *trifling* difference in the exchanges. As however, I am not quite sure of the fact, I will not take upon myself to vouch for the correctness of this statement, though I believe it to be true; but I submit to yourself, Sir, whether the fall in the price of gold was not *almost** simultaneous with the conclusion of the war?

37. Facts, whenever they can be procured, are the most convincing of all arguments; and if you can make it appear that the price of gold kept up, after these two causes were removed, I will no longer contend this part of the question; but if, on the contrary, it should be found that, immediately after the removal of these two *supposed* causes, the price of gold fell very nearly to its *former* level, the decision of the impartial reader *ought* to be on my side; though I am prepared to be told that you will not submit your opinions to this test.

38. If the facts should be against me, you will make use of it as an argument in support of your opinions; and, if it should be in my favour, you will then say that it was the narrowing the discounts in Threadneedle Street that brought down the price of gold: though the object of almost every page in your Essay was to shew that the Bank could not materially diminish its paper issues, until it, first of all, got rid of a large portion of the debt.

39. That the Bank might, in some measure, have diminished the amount of its paper issues, by discontinuing to discount bills, will hardly be disputed: but if, by so doing, it could have reduced the price of gold to its former level, *in the course of a few months*, it is not reasonable

* It should however be kept in mind, that a large portion of our army remained abroad (either in America, or the Netherlands,) till some time afterwards.

to suppose that it would *voluntarily* deprive itself of a valuable source of profit in the Year 1814, for the sake of producing an effect that would only be wanted in the year 1819. The Bank Directors, it should be remembered, were in constant intercourse with the Government, and must have known that they would not be compelled to pay in gold for some years to come; and consequently that it would be quite time enough to *begin* narrowing their discounts when the cash-payment bill was about to be proposed.

40. The fact however, might easily be ascertained and the question set at rest for ever, if Mr. Sadler, Mr. Western, or any other member of parliament *who has committed his opinion upon this question*, would either ask one of the Bank Directors, for the necessary information, or move for the return of so much of the Bank accounts, as would show at what times, and in what proportion, the Bank paper issues were contracted, from the year 1814 to the year 1819, both inclusive; with the price of gold bullion placed immediately opposite the proper dates.

41. A document of this nature, if it could be procured, would place the question in its true light; and we should see, at once, whether the narrowing of the Bank discounts preceded, or followed, the decline in the price of gold bullion;* and also whether the contraction of Bank paper, *in consequence of this narrowing of the discounts*, was *in a sufficient degree* to make it *probable* that the reduced price of gold was occasioned by it; but, as I can only recommend, and cannot insist upon the production of this document, I must endeavour to supply the deficiency from my own resources; and I have no doubt that I shall still have it in my power to place you within the two horns of a dilemma, from which you will find it very difficult to extricate yourself.

42. The following is a quotation, of Candidus, *from your own writings*.—"The narrowing of the discounts in Threadneedle Street was absolutely necessary to *keep down* the exchange." This passage, taken literally, would lead a man of plain understanding to suppose that the object, in narrowing the discounts, must have been to *bring down* the price of gold, and not to *raise* the value of paper. You shall have it however which way you will; for all that I want is to get at the precise meaning of your words. If you mean to be understood that the value of Gold was brought down to the level of Bank paper, you forsake your former opinion, and admit, after all, that there has been no depreciation of Bank paper; and if you maintain that the paper, by this contraction, has

* Candidus, as appears by a quotation from his last Letter, observed that *prior* to the passing of Peel's bill, the Bank occasionally contracted and extended its issues, for the sake of experiment, and that the rise and fall of prices followed these experiments "with the precision of a pendulum". Perhaps, Sir, you will be so good as to inform us, whether the price of gold rose and fell at the same time with equal precision?

been raised to the level of Gold, you have yet to shew in what way the Bank could have derived any advantage from it. The commercial distress in every part of the kingdom that almost immediately followed the return of peace *might possibly have forced* the Bank to have been less liberal of its credit; but the object of narrowing the discounts, or, in other words, of contracting the amount of Bank paper, *as you represent it*, must have been to make Bank paper and gold equally valuable.

Now for the sake of argument, though I do not admit it, I will suppose this to have been done. I will suppose that by narrowing the discounts, in a very great degree, the value of the remaining quantity of Bank paper was placed upon an equality with gold; and I ask you to shew, in what way the Bank could have derived any advantage from it? By your own arguments, it appears that the Bank had raised the value of its paper money, by contracting its amount; and yet, after all, the object of the Bank must have been completely defeated; for, in that case it could only have purchased gold, with paper, by *again* extending its issues; and *then the value of the paper falls as low as it was before*.

43. If the price of gold had really remained stationary, ever since the return of peace, and the value of the paper money had been raised to the level of gold by contracting the amount of it, the Bank could only have purchased the gold bullion, that might have been required for the payment of its notes, by bartering real, or substantial property, in exchange for it; and this might have been done just as well, if there had been no contraction whatever; so that, in fact, the Bank could have had no motive for narrowing its discounts, but what originated in the *necessity* of being less liberal of its credit.

44. If the value of the paper money had been raised by a contraction of Bank issues, the Bank could neither have purchased gold with paper, nor have derived any benefit from the transaction; and if it was simply a *fall in the price of gold*, after the war, that restored the equality, the preceding *rise in the price of gold*, during the war, must have been occasioned by a very large demand for it in the markets, and not by an extension of paper currency.

45. If, as you, and the Bullion Committee, asserted, the Bank of England paper, after the passing of the Restriction bill in 1797, was depreciated by a large extension of issues, this paper could only have been restored to its former value, by reducing the amount of issues as low as it was before; and *this, as you well know, has never yet been done*.

46. If an extension of the currency (as you affirm) was the cause of the evil, it could only have been remedied by a contraction, *to an equal amount*; and therefore when the equilibrium was restored, it was your business to *prove* that a contraction, *to this amount*, had really taken place; but instead of doing this, you content yourself with merely *saying* that the Bank must have narrowed its discounts, in

order to bring down the exchanges. Why Sir, the grand object, in your boasted Essay, is to prove that the Bank (*in spite of itself*) was under an absolute necessity, of extending its issues, *with the increase of the national debt*; and, as the debt has doubled itself since 1797, the mere *narrowing* of the discounts, without a reduction of the debt, could not, *even upon your own showing*, have produced such an effect. By a statement of your own,* it appears that the nominal value of Bank notes in circulation in 1798 amounted to £13,334,752. and in 1809 to £21,249,980. and, if we allow, only £3,000,000, by the same rule of progression, *for the remainder of the war*, this *narrowing* of the Bank discounts—a very modest term by the by, this narrowing of the discounts, *in only one year*, must have amounted to no less a sum than £12,000,060! which is very far beyond what can possibly be conceded, upon no other authority than *your bare assertion*.

47. To proceed with the argument. It has already been shown that this depreciation of paper money (*if it must be so called*) was greatest at that precise period of the war, when (in consequence of the Berlin decrees, and the immense force which we had to maintain in the Peninsula) the demand for gold in the foreign markets, must have been much greater than was ever known before; and that it ceased exist, (at the end of the war) as soon as those two extraordinary demands for gold were withdrawn from the market. From 1797 to 1802 † (*and perhaps to 1805*) the paper money was not *sensibly* depreciated; though as is *evident*, by the documents furnished above, and your own calculations, founded upon the progressive increase of the national debt, the amount of Bank paper issues must have been increased more than twenty five per cent; and this one *fact* § abundantly *proves* that an extension of paper issues does not necessarily produce a depreciation in the value of paper. In one period of the war, an extension of the currency, to the amount of more than twenty-five per cent, does not produce a sensible rise in the price of gold. In another similar period, and with very nearly the same progressive extension of currency, the price of gold rises from £4 to £4 14s. per ounce, and the Bullion Committee, ‡ after a years deliberation, will

* Paper against Gold. page. 262.

† At this period, the price of gold was only £4 per ounce, and the value of the paper money, in 1798, could not have been *less* than £3. 17s. 6d. per ounce.

§ As Mr. Baring, whose opinion, on questions of this nature, is very much looked up to, was a member of the Bullion Committee that made this extraordinary report, I recommend this fact to his especial consideration.

‡ In all probability, it would have been impossible for this country to have continued the war in the Peninsula, if the Bank at that time, had been obliged to pay in cash; and as, *I believe*, most of the *leading* members of the Bullion Committee were in the opposition, it *might possibly* have been the object of that Committee to *force* the Government to make peace with Buonaparte.

have it, that it was not an extraordinary demand for gold bullion, in consequence of the Berlin decrees, that produced a rise in the price of gold, but an extension of Bank issues that produced a depreciation of paper; *though it is upon record, that a similar extension of Bank issues, to an almost equal amount, but a few years before, did not produce the least depreciation in the value of the paper money!*

48. Sir, this is not a question that depends simply upon mere argument. It is a question of facts; and might be determined *in one moment*, if any of those gentlemen, in the House of Commons, *whose business it really is*, could be prevailed upon to move for the necessary documents. It appears, by your book, that, in 1798, when prices were *much higher* than they are *at present*, the nominal value of the Bank of England notes in circulation amounted to £13,334,752: and if a contraction of the currency was really the cause of the fall in prices, as you and your disciples maintain, it follows, of course, that the *total* amount of the Bank of England issues (*including gold sovereigns*) at any one period since the conclusion of the war, *must* have been as far short of the above sum, as the *average* of prices was below what it was in 1798.

49. The onus of proving this fact lies with you, and your party, and not with me. If you can make it appear that the total amount of the Bank of England issues (including, of course, the gold sovereigns) which are now in circulation, is as much *below* the sum of £13,334,752 as the average of prices is below what it was in 1798, you will have a plausible foundation upon which to rest your theory; but if you cannot make this evident,* and I am very sure you cannot, I must take the liberty of observing, that all those gentlemen (both in and out of parliament) who prefer sound sense to empty declamation, and who cannot condescend to sacrifice truth, for the sake of vilifying the measures of Government; in a word, every gentleman of upright and honourable principles, whatever may be his party feelings, must see the necessity of forsaking your school, and going back to our old master Adam Smith; whose opinions, instead of being borne up, as yours are, by the wild fancies of a flighty imagination, were firmly grounded in the plain and sober dictates of common sense.

50. I have nothing further to add respecting the currency question; but, before I conclude this letter, I shall take the liberty of making a few observations, upon your equitable adjustment scheme; in order that the public may see what they would really gain, by a

* All that I want is to get at the truth; and if there should be any difficulty of ascertaining the number of gold sovereigns in circulation, you are at liberty to select any period prior to the passing of Peel's bill, when there were no sovereigns in existence; and further, if it will suit your purpose better, you may, if you please, include *all the country bank notes* in circulation at these two periods. Let us have the truth, the whole truth, and nothing but the truth; and I am not afraid of the issue.

bona fide transaction of this nature, if they could be prevailed upon, by you, and your partisans, to insist upon having it put into execution.

51. The two following passages are quoted *verbatim*, from page 324 of your Essay on Paper against Gold. "I have, I think, shown you very clearly, that to cause the Bank to pay again in gold is *impossible*; and that, let what will happen, let what will take place as to commerce, or as to war, the Bank Paper will never regain any part of what it has lost, as long as *the National Debt shall exist*; or, rather as long as *the dividends shall be paid upon the interest of that debt*".

"Now, if I have shown this to your satisfaction, the question, and the only question that remains to be discussed, is what would be the * CONSEQUENCES of a cessation in the payment of the dividends; that is to say, the total destruction of the National debt; the total breaking up of the Funds and the Bank Note System."

52. The above quotation is quite sufficient to display the real object of the writer in its true colours. Your endeavour was, evidently, to impress your readers, with the belief, that in consequence of the great increase of the national debt, the prosperity of the kingdom was rapidly declining, and that nothing, short of its absolute annihilation, could restore us to our former healthful condition. Your first object was to point out the necessity of getting rid of the debt, by some means or another; and then you ask what would be the consequence, or, in other words, what inconvenience would be experienced by the whole community, *with the exception of the fundholders*, if this debt were to be wiped out with a sponge? You do not indeed, in express words, recommend this public robbery, this breach of national honour, but you, at least, throw out the hint; you ask what would be the consequence of such a measure; and the effect which the question was intended to produce can hardly be mistaken.

53. But whatever may have been your motive, the question was put, and you shall not go without an answer. You ask what inconvenience the public would sustain by a transaction, which in private life, would be deemed most infamous? and the answer may be summed up in two words—National Disgrace. We should lose all that could render our existence valuable, either as a nation, or as individuals; for who could endure life, when coupled with a tarnished reputation?

54. Upon the security of repeated acts of parliament, and, *perhaps, in some measure influenced by your writings (when you edited the Porcupine, and did all in your power to make the war popular,)* the fundholders occasionally accommodated the public, by lending a portion of their capitals to the Government (in order to enable the country to carry on the war with greater vigour) on the understanding

* The emphatic words are marked precisely after the text.

that they were to receive so much per cent. interest on their loans, until the money was repaid. Up to the passing of Peel's bill, the dividends were paid with the same coin in which the loans (*subsequent to 1797*) had been contracted, and therefore, up to that period you could not varnish over the iniquity of your design by the hypocritical pretence of making an *equitable* adjustment; but immediately after that bill was passed, you took pains to impress the public mind with the belief that the dividends were paid in a coin of very superior value to that in which the loans had been contracted; and, therefore, you urged, it would be but equitable to reduce the amount of the dividends in the same proportion as their value has been increased; which, according to your statement, *though I cannot comprehend how you make it out*, would be to blot out, at least three-fourths of the whole amount.

Now, with respect to the equity of your scheme, it must have been foreseen, at the time that the loans were contracted, that prices would have fallen at the end of the war; because they have invariably done so, at the end of every war, from time immemorial, *even when the currency was not contracted*; and this fact was moreover expressly pointed out, by Adam Smith, in his 'Wealth of Nations'; but whether this necessary consequence was foreseen, or whether it was not, the contract was equally binding, and can only be broken with the consent of *both parties*.

55. Putting this consideration, however, out of the question, your *equitable* adjustment scheme requires that you should not merely *assert* but *prove* that the currency, since the return of peace, has been contracted in as great a degree as the prices have fallen; and then when you have made this appear, *if you mean to be really equitable*, you will have, at least, as much to pay to the subscribers of that part of the debt that was contracted previous to the end of the year 1797, as you will have to receive from those who have lent money to Government since that period; so that, after all, the public can derive no benefit whatever from your equitable adjustment scheme.

56. Equitable adjustment, as I understand the phrase, signifies a determination to do justice to both parties. If the public has a right, in equity, to claim compensation, from one portion of the fundholders for losses, which it has sustained, in consequence of a contraction of the currency, another portion of the fundholders has, *at least*, an equal right to claim compensation, from the public, for losses, which they have sustained, by an extension of the currency *and that too in a much greater degree*: and, in that case, if justice be done to both parties, the advantage will not be on the side of the public.

57. It appears, by your own book, that the debt, in 1797, amounted to 413 millions, more than 350 millions of which remain to

this day, unredeemed; and, up to this moment, *unless you choose to contradict your own arguments, and falsify your own predictions*, you must admit that the dividends upon this sum have all along been paid in a depreciated currency. In fact, the main scope of the arguments in your essay is to induce your readers to believe that the currency has necessarily gone on extending with the increase of the national debt, and that the value of the currency has been depreciated in the same proportion that it has been extended. The narrowing of the discounts, *without a reduction of the debt*, was an after-thought of yours, invented, most likely, for the sole purpose of getting out of a dilemma; but it will not answer your purpose at this turn; because prior to 1797, the Bank paid in gold as well as it does now; and the Bank, at this moment, discounts quite as many bills as it did then.

As nearly as possible the circumstances of the two periods, with the exception of the extension of the currency, are precisely the same, and whether we refer to the statement that was made in Parliament, by the Duke of Wellington, and *substantially* corroborated by Mr. Goulbourne, or whether we apply for information to your book, the results, respecting the amount of the currency, do not *materially* differ. The Duke of Wellington states the amount of the currency, at this moment in circulation, to be *about** double what it was in 1797; and, *according to your arguments*, as the debt has *about* doubled itself since then, the amount of the currency, and, with it, the depreciation of its value, *must* have increased in the same proportion. Unless you can produce some better authority than Sir Francis Burdett's violent philippick † against the Duke of Wellington, in contradiction of his

* I cannot say precisely what was the amount of the Duke's statement; but, at all events, it equalled the total amount of the currency immediately before the Cash payment bill passed.

† Sir Francis Burdett, *as he is reported to have spoken*, admitted that the Duke might have been right with respect to the amount of gold sovereigns that was issued from the mint; but he contended that a large portion of this specie must have been carried out of the country, or applied to other purposes, as fast as it was issued. As Sir Francis produced no *facts* in support of his opinion, it is fair to conclude that he had none to produce; and if his arguments rested solely upon what he conceived to be reasonable probabilities, a little *cool* reflection might have suggested to him that, under the circumstances, it is only on the supposition of a *super-abundance* of currency, that we can reasonably account for the disappearance of any part of it; So that Sir Francis must have lost sight of his premises, when he came to his conclusion. He insisted that the great fall of prices was solely occasioned by a *contraction* of the currency; and yet imagined that the people could be so foolish as to withdraw the gold sovereigns from circulation, when, by his own account, it must have been impossible to dispose of them, in any other way, to so much advantage! Unfortunately when gentlemen lose their tempers in argument, they are almost sure to run into absurdities.

Sir Francis Burdett, in one of his newspaper letters, complained loudly of having been injured, in his estate, by the passing of the Cash payment bill (*including, I*

Grace's statement, I do not see in what way it can *fairly* be disputed : for it was, at least, *substantially* corroborated by Mr. Goulbourne, in his reply to Sir Francis Burdett, and it tallies very nearly with the only conclusion which can *reasonably* be deduced from your own arguments ; but, at all events, the onus of proving the fact, as I have before observed, lies with you, and not with me. If you can *prove, by authenticated documents*, that the contraction of the currency, since the return of peace, has been equal in degree to the fall of prices, you will have the infinite satisfaction of giving the death blow to your own arguments ; and, if you cannot do this, I have *your own* authority for stating, that, upon your equitable adjustment scheme, *if equal justice were to be done on both sides*, the public without *materially* diminishing the *subsequent* part of the debt, would have nearly double interest (*besides a very large arrear*) to pay on that part of the debt, that was contracted prior to the year 1798.

58. It cannot be necessary to pursue this argument any further ; but before I conclude, I must take the liberty of suggesting—and the *hint, will not altogether be thrown away upon Mr. Western and Mr. Sadler*—that if, in the course of your future lectures, or on any other occasion, you should *again* discuss this question, without noticing what I have written upon the subject, it may possibly lead to a suspicion that your outward professions do not quite coincide with your inward convictions.

I am, Sir

Your obedient Servant,

WALTER FORMAN.

Pilton

October 26th. 1830.

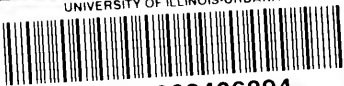
P. S. For the same reason that was stated in the preface to my preceding pamphlet, a copy of this letter shall be sent to you, and to every other person whose name is mentioned in it.

suppose the antecedent measures,) but unless he can show that he has reduced his rents in an equal proportion with the *average* fall of prices, it must be evident that his income (like those of many other complainants) though nominally less, is really greater than it was during the war ; and, if that should be the case, Sir Francis, and not Sir Robert Peel, is one of those of whom the farmers have most reason to complain.

An expensive war is something like a lawsuit, in which, whoever succeeds, both parties suffer loss. If the fact could be ascertained, I have no doubt that the *average* rent of all the land in the kingdom, would purchase more goods at this moment, in spite of taxes and poor rates, than it would have done in 1792 ; and, if so, our great landed proprietors ought to think themselves very fortunate, on coming out of a twenty year's expensive and bloody war, to find themselves in as good a condition as they were when they entered it.



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